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E.O. 12958: DECL: 12/22/2016  
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SUBJECT: EU PRESIDENT BARROSO'S JANUARY VISIT: THE VIEW  
FROM BRUSSELS

Classified By: USEU POLMINCOUNS LAURENCE WOHLERS, FOR REASONS  
1.5(D) AND (E)

¶1. (C/NF) European Union Commission President Jose-Manuel Barroso's January 8 trip to Washington is an opportunity to marshal Commission support for action over the next six months in accelerating political and technical cooperation on energy and climate change, completing the Doha Round, and making progress on our common foreign policy agenda in the Middle East, Afghanistan, Balkans, and Africa. Publicly, Barroso will likely play the role of the harmonious second fiddle to the German presidency on these issues. However, their views are not always identical, with Barroso generally espousing more pro-market views, particularly in regards to energy security. Barroso's Washington trip, therefore, will be an opportunity to develop common strategies with the Commission on the issues of greatest strategic importance.

¶2. (C/NF) Two years after taking office, Barroso has a clear sense of his policy priorities, developed a reputation as an effective communicator, and shaped (by EU standards) a cohesive leadership team within the Commission. However, Barroso's real achievements on internal EU questions since his last trip to Washington have been limited, hampered by divided leadership in key member state capitals, continuing member state interference with Brussels in the absence of constitutional stability, and his own lack of a strong power base. In the near term, therefore, there are real constraints on his ability to prevent the debate on the constitution or sensitive internal EU matters from shifting away from Brussels and directly into European capitals. Nevertheless, given the coming Portuguese EU presidency and forthcoming leadership changes in several member states, Barroso could be better positioned to influence EU policy in the longer term.

¶3. (C/NF) Counterintuitively, Barroso and the Commission have in fact been front and center on the improved working relations between Europe and the United States on a number of key fronts, including homeland security and better strategic coordination of assistance (the latter involving the EU's combined \$55 billion in overseas assistance). In this context, Barroso is likely to use the agenda for his visit to reinforce a number of objectives he is already pursuing. First he will launch a major new energy initiative in January, and will look to bolster his presentation by matching as many of his goals with ours as possible. This includes relations with Russia -- although Barroso publicly defers to the Council's lead on Russia, diversification of energy supplies (and diminishing Russia's stranglehold on European gas and oil markets) is a critical part of his energy strategy. On Doha, which increasingly dominates

political thinking here, Barroso may be interested in a joint signal to negotiators to break through existing obstacles. On the Middle East, the EU Commission plays a strong role in certain areas, including supporting the Siniora government and in steering international resources in a way that circumvents Hamas; Barroso will want to discuss how to continue that engagement.

14. (C/NF) The meeting also provides a vehicle to highlight outstanding critical tasks in US-EU counter-terrorism cooperation. Finally, Barroso will likely raise EU member states' concerns about the visa waiver program and may have questions about the President's new VWP initiative. END  
SUMMARY

The Barroso Vision: a drive to "reform from the center"  
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15. (C/NF) Two years into his mandate, Barroso's vision, if not necessarily his means to achieve it, is clear. Gone is the grand, expansionist, and persistently theological Eurocrats' obsession with "the European project". As Barroso's aides note, even the constitutional question interests him only from a pragmatic perspective -- until it is settled he understands that the Union cannot move on. Move on to what? The Barroso vision is pragmatic: developing a more competitive, innovative, and flexible Europe better prepared to cope with rapid change in the global environment. Barroso's people describe it as "reforming from the center", and believe that the EU toolbox can help force change on old guard, member-state mindsets.

But where's the mandate? Not Delors' EU anymore  
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16. (C/NF) Although Barroso is widely acknowledged to be a more competent and clever president than his two predecessors, this has not stopped the flow of policy influence out of the Commission towards the Brussels-based Council machinery, the individual member states, and the budget-controlling Parliament. Barroso's team freely admits that, as an outsider from a small member state, he lacks a core power base in the EU. But they also note that in the new EU of 27, policy decisions inevitably result from closed-door horse-trading in which the Council and the member states, not the Commission, are the key players. Indeed, the German presidency has been blunt in signaling its intentions on two key issues: institutional reform, which it clearly hopes to keep outside of the "Brussels machinery", and energy, on which it has taken an ambiguous stance, claiming to want reform but frustrating Barroso's reform agenda. This unfavorable power balance may account for the fact that Barroso has publicly focused his energies on the uncontroversial objectives of making the "Brussels machinery" more efficient and responsive to the average European citizen.

Some leverage nonetheless  
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17. (C/NF) Barroso is not without leverage, however. First, compared to the fractious Council and Parliament, Barroso has the most cohesive team in Brussels. While it's not a model of camaraderie, it does generally adhere to the President's lead, thus allowing the Commission to drive internal EU policy development in Brussels. Second, Barroso has considerable deal-making ability -- he relishes working behind the scenes, as he has done successfully on the Services agreement and the recent Turkey deal. His aides say he will play a similar role on the Constitution -- working quietly to pull people towards a centrist deal (for Barroso, the substance of the deal is far less important than getting the institutional question done and off the table). Third, Barroso compensates for his lack of a core power base by assiduously building alliances. Rather than fighting the Council's growing clout, for example, he has directed his staff to build collaborative ties between the two; particularly on foreign policy issues where the Council has

the stronger mandate but the Commission most of the funding.

Time on his side?

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18. (C/NF) Aides say that, over the next calendar year, Barroso is determined to push forward greater EU political consensus in three key areas: energy security and sustainability, EU institutional reform and enlargement, and trade and economic growth (including Lisbon reforms). To be sure, Barroso's relationship with Chancellor Merkel will be tested on all of these issues. Nevertheless, his ability to push his agenda may improve with time. For one thing, the Portuguese presidency during the latter half of 2007 will be a natural platform for policy cooperation. Political forces in key member states may also work to his advantage, with the possible election of a political soul-mate in France and the end of the long political transition in the UK. Moreover, Barroso continues to cultivate relationships with the new member states who, although they do not yet punch their weight in EU circles, are generally closer to Barroso's thinking on energy security questions, the value of market forces, and the need to stand up to Russia.

#### KEY ITEMS FOR THE JANUARY MEETING

##### Energy

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19. (C/NF) Energy reform may be the issue to which Barroso is most personally committed. His aides say that Barroso believes that energy security is important not just for its own sake, but because the development of a flexible and innovative energy market is the key to overall economic reform. He wants the Commission to take an active role in completing the EU's internal energy market, which would include three main elements: 1) create a more unified EU foreign energy policy (viz. Russia); 2) promote energy efficiency, develop alternative fuels; and 3) keep open the option of more nuclear power for the EU.

110. (C/NF) On January 10, the Commission will present a series of proposals on the internal market, coal, nuclear power, geopolitical energy policy, energy efficiency and biofuels. But the Germans have already signaled opposition to the Commission's goal of breaking up Europe's largest energy companies into more competitive units. They have also rejected the Commission's global warming targets. The Commission has taken a harder line toward Russia on energy than has Germany. Still, there are areas of consensus, such as the need to develop cleaner and more efficient technologies.

111. (C/NF) USEU has worked closely with the Barroso cabinet over the past year in shaping an ambitious energy work plan, and the Commission and Germany share a constructive agenda for engaging the U.S. on energy policy. Following up on the energy goals of the June 2006 Vienna Summit, the Germans presented a paper in December proposing more intensive collaboration on research and development projects. The U.S. should be able to work with both. Barroso's aides believe that the immediate focus should be on implementing the numerous projects we already have in the pipeline: biofuels, energy efficiency and carbon capture and storage. They also support an intensified dialogue on the Caspian region. On these specific issues, there is a remarkable amount of agreement among the Barroso-led Commission, the German presidency, and the U.S. We need to ensure, however, that the internal turf battles between the Commission and the member states do not prevent us from making practical progress with the EU on energy co-operation.

##### Trade

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112. (C/NF) Barroso's visit comes at an important time for Doha negotiations. There is a sense in the EU that there has

to be significant movement on the DDA in the next two months in order for there to be a deal in the short term. This belief arises from the combination of the expiration of the Administration's Trade Promotion Authority at the end of June, the need to begin work on the U.S. farm bill, and the French elections in May. Aides say that Barroso personally believes strongly in the need to achieve a new WTO round for the good of the global trading system. Our own impression, however, is that Barroso tends to prefer to defer to Mandelson on the specifics of negotiations, which is why the latter came to the Vienna summit and will attend this meeting. Barroso may solicit our views on how to deepen the transatlantic economic relationship. The German Presidency provides an excellent opportunity to accelerate our existing regulatory cooperation and other elements of our transatlantic economic agenda. While immediate emphasis should be on practical progress over the next six months, we should be open to exploring further ambitious plans for the future, including evaluating German ideas on how to deepen the transatlantic market.

#### Economic Growth and Reform

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¶13. (C/NF) Barroso and the Commission remain committed to the Lisbon agenda of economic reform, despite the current economic upswing in the Eurozone. Barroso aides have indicated that he may ask about U.S. views on Chancellor Merkel's ideas for accelerating regulatory cooperation as a means to deepen Transatlantic economic integration. Barroso is reportedly sympathetic to calls for completing the transatlantic market by 2015, but does not want to get out ahead of the United States.

#### Foreign Policy

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¶14. (C/NF) Barroso's foreign policy priorities can be divided into three general categories: critical to the future of the Union; critical to the Euroatlantic relationship; and deeply important due to historical reasons and personal interests. The stabilization and integration of the Western Balkans into Europe falls squarely into the first category. Barroso and the German Presidency are acutely aware that EU credibility could be damaged by failure of the ESDP mission in Kosovo. Afghanistan, Iran, and the Middle East fall into the second category. Barroso certainly understands the geostrategic importance for the Euroatlantic community of helping to achieve peace and stabilization of these volatile areas. However, policy success or failure would not necessarily create a crisis of political legitimacy for the EU. Africa and Darfur in particular, would fall into the third and final category. Barroso's own policy advisors have noted his deep personal commitment and interest in bringing about peace and development in Africa.

¶15. (C/NF) Middle East/Afghanistan: Although the Council/Solana have the foreign policy lead on the Middle East, Commission monies and trade authorities have in reality a powerful imprint on the EU's presence in the region. Barroso leaves the public lead here to Commissioner Ferrero-Walder, who is heavily engaged both substantively and publicly. The European Commission has been the biggest donor to the Palestinian Territories, having allocated euros 2.6 billion since 1994. Similarly, for Afghanistan the Commission has made good on their euro 1 billion pledge at the Tokyo Donors' Conference and is now planning euros 150 million for each of the next seven years. Since the fall of Saddam Hussein, the Commission has made euros 720 million available for Iraq reconstruction and will have an additional euros 160 million for the Iraq Compact. In some cases, as in the creation of the Temporary Implementation Mechanism for the Palestinian territories, the Commission has made de facto foreign policy. In others, such as a September visit by Commission officials to Syria to engage moderate Syrians, the Commission has eventually pulled back in deference to strong Council views. Nevertheless, the Commission clearly feels pressure from a number of member states (as well as some of

its own working level officials) to take a more pro-Arab line, and it will be important to signal to Barroso the importance of reinforcing a common approach between the EU and the US.

¶16. (C/NF) Russia/FSU: There is a confusing interplay of responsibilities between the Council and the Commission on relations with Russia/the FSU. Barroso's Commission, conscious of the vulnerability of smaller states to Russian pressure, generally takes a harder line on energy and is also more willing to support Moldova and Georgia with money and resources. The Council remains divided: as the Lahti dinner with Putin made clear, certain member states, including France and Germany, take a more accommodating stance toward Russia. This affects the Commission's ability to explore ways to change the current dynamic on so-called frozen conflicts. In recent months, the Commission has also made considerable efforts to strengthen its assistance packages and cooperation agreements (including on energy), with Russia's neighbors. In the absence of any EU offer to offer a membership perspective or seriously address trade and visa barriers, however, the Commission's efforts may be insufficient to counterbalance enormous political and economic pressures the neighbors face from Russia.

Justice and Home Affairs  
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¶17. (C/NF) Barroso's visit offers an opportunity to obtain his assurance that he will continue to help us to resolve key CT and security-related issues, including terrorist financing (use of SWIFT), PNR, and privacy. We should make clear our expectation that Barroso and the Commission will take responsibility on security and show stronger leadership, including through public statements on the need to find a reasonable, legal balance on security and privacy issues.

Visa Waiver Program  
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¶18. (C/NF) Barroso will feel compelled to raise the Visa Waiver Program, as the EU leadership does at every opportunity. The European Commission and member states continue to press for the admission of nine of the new member states, plus Greece. The President's recent Tallinn declaration to seek greater VWP entry flexibility from Congress was widely welcomed by a still agitated EU, who want to see the specifics behind the proposal and swift action. The next Commission report (expected in April) on EU visa waiver privileges with a variety of countries may focus especially on the United States.

All Roads (Eventually) Lead Through the Commission  
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¶19. (C/NF) Internal EU business will absorb much of Barroso's attention over the next six months. Starting with the 50th Anniversary of the Treaty of Rome in late March, the French (and possibly UK) elections in April, through to the end of the German Presidency in June, Europe-wide debate at all levels will intensify over future of the Constitutional treaty, European integration, and the EU institutions. Even so, Barroso's visit to Washington is a timely opportunity to solidify Commission support for key U.S. objectives in the Transatlantic relationship. As Commission President, Barroso has far more influence over economic and trade policy formulation than EU foreign policy strategy. However, even in the latter case, the Commission's control of money and people mean that it is frequently vital to the implementation of those policies. This makes him an indispensable partner, during the German Presidency and beyond.

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